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James H. Marshall, Director  
Sugar Branch, PMA, U. S. D. A.

### MINUTES OF MEETING

MEETING: Edible Molasses Industry Food Advisory Committee  
DATE: August 22, 1946, 10 A.M. to 6:00 P.M.  
PLACE: Conference Room, 214 St. Charles Hotel, New Orleans, La.  
GOVERNMENT  
CHAIRMAN: James H. Marshall, Director, Sugar Branch, PMA, U.S.D.A.  
PRESENT: Representing Industry

C. R. Zimmerman, Wheeler Barnes Co., Minneapolis, Minnesota  
Walter A. Deacon, National Biscuit Co., New York, N. Y.  
J. B. Roddenbery, W. B. Roddenbery Co., Cairo, Ga.  
Walter B. Mangels, Mangels-Herold Co., Baltimore, Md.  
Marion J. Martin, Penick & Ford, Ltd., New York, N. Y.  
John M. Caffery, Columbia Sugar Co., Franklin, La.  
P. X. Hoynak, Refined Syrups & Sugars, Inc., Yonkers, N. Y.  
O. A. Saar, American Molasses Co., New York, N. Y.  
R. M. Murphy, Milliken & Farwell, Inc., New Orleans, La.  
Waterford Sugar Coop., Inc., Killona, La.  
R. H. Chadwick, J. Supple's Sons Co., Bayou Goula, La.  
C. A. Harmeier, American Home Foods, Inc., Pittsburgh, Pa.  
Walter A. Sullivan, Gay, Sullivan & Co., Inc., New Orleans, La.  
J. Gordon Kavanaugh, Pearce-Kavanaugh Co., Bunkie, La.

#### Representing Government

James H. Marshall, Director, Sugar Branch, PMA, U.S.D.A.  
Joseph T. Elvove, Assistant to the Director, Sugar Br., PMA, U.S.D.A.  
H. C. Hathorn, Alternate Administrator WFO 51, Sugar Br., PMA, USDA  
Benj. M. Holstein, Solicitor's Office, U.S.D.A.  
G. L. Ammon, Sugar Br., PMA, U.S.D.A.  
W. M. Grayson, Field Service Branch, University Sta., Baton Rouge, La.  
G. H. Kelly, Field Service Br., University Sta., Baton Rouge, La.

#### Conference Writer

Nellie S. Downing, American Sugar Cane League, New Orleans, La.



Mr. Marshall: Gentlemen, this is the first meeting of the new committee--the new molasses industry advisory committee. The Government has had numerous industry advisory committees during the war period and the post-war period and those committees have to operate under certain very definite requirements and regulations to keep them from getting into trouble with the Anti-Trust people. Among other things, and in order that you may know how those regulations apply to your committee, I will ask our attorney, Mr. Holstein, to explain to you as fully as he wants what these regulations and requirements are that we must operate under as an American Government advisory committee.

Mr. Holstein: I don't think it is necessary to go into too much detail on that particular point. There is a form letter, I believe, which goes into a little bit more detail, which you might send to these gentlemen after we adjourn this meeting. For the present I think it would suit our purpose to say that you gentlemen have been summoned in an advisory capacity and in order to protect yourselves against any violation of the Anti-Trust laws it will be essential that you confine yourselves to that capacity. In other words, the Department of Justice makes the rules under which these committees operate. They take the position that it is the function of the Government to regulate, where regulation is necessary, in periods of emergency such as these and that there should not be any possibility that the industry, or any group from within the industry, lays down the rules and regulations which the Government then accepts. In other words, you are to advise and inform the Government and the Government will take all the advice and information you have to give it when it adopts the regulations.

Mr. Marshall: Is it necessary to say anything about how the committee operates. The committee never formally votes.

Mr. Holstein: We merely confine ourselves to the discussions here. You may say whatever you wish here. We do not take formal votes because the Government does not want to be bound. Frankly, the Government wants to be theoretically in the position to ignore your advice although, as a matter of fact, it does not do that. Therefore we take no formal vote. It is not a matter for you to decide, whether the regulation will be put into effect. It is merely to tell us what will be the effect of any particular rule or regulation on the industry. You know best. The final determination must of course be the Government's.

Mr. Marshall: Before we begin, are there any expressions or questions with regard to the procedure or operations of the Committee?

Mr. Chadwick: I would like to ask one question, as to the authority the members of the committee have in an official capacity with the Government. Just what is our status?

Mr. Holstein: Your status is merely advisory. You are to advise the Government with respect to an industry which you know and the Government does not.

Mr. Caffery: How are you going to get the sense of the committee if you do not consider some kind of an expression?

Mr. Holstein: By expressions of opinion by individual members of the committee. The committee is supposed to, and I am sure does, represent all segments of the industry, geographically, by size, and everything else.

Mr. Marshall: If there is any issue--any particular difference of opinion--and the Government wants to know how it stacks up, it will ask the members present one by one, what their own opinions are on it.

Mr. Marshall: If there are no further questions, we will proceed with the essential topic of this meeting which is a proposed amendment to WFO 51. In order to save myself for further lengthy discussions this evening, I will ask Mr. Elvove to lead the discussions.

Mr. Elvove: I believe that you have all received copy of the proposed discussion draft of the order. I will read the order paragraph by paragraph. I will precede the discussions by saying that the purpose of the amendment is to put the order in such shape as to achieve control of the production and distribution of edible molasses and sirup so the major objective of the sugar program will be achieved, as well, without imposing undue hardship on any segment of the industry. The Department has no desire to create an unreasonable hardship. With those thoughts in mind, I will proceed to read the regulation and get your questions or reactions to each paragraph. If you have any general observation, Mr. Marshall suggests you take up first any over-all observations you might want to express before discussing any details.

Mr. Martin: Have you a list of the quota holders?

Mr. Elvove: We have a list of quota holders as now established under WFO 51, which will be passed out here. It is not a permanent list not to be changed. Those quotas will be subject to re-establishment and proof for the next marketing year. Some quotas are in question or doubt. The list for next year will be available to you and the industry when completed.

Mr. Chadwick: The members of the Advisory Committee from Louisiana would like to state under the general heading, it was brought out at the meeting which preceded this that due to the fact that no agreement has been reached or anything really accomplished, as I understand it, in the matter of raw sugar prices -- that being the primary factor as to the number of people who might want to switch back from the manufacture of edible molasses products--to direct consumption products--and to raw sugar--we are deprived of the information which we need to present the status or stand of the Louisiana industry on edible molasses production until such time as the sugar price matter is taken care of. We had all hoped, and I am sure that includes you gentlemen as well as ourselves, that it would be worked out to some final conclusion by unanimous agreement, but temporarily that has not been accomplished. As we are deprived of that we cannot give the industry's views until we shall have that.

Mr. Marshall: Do you care to make any statement, or can you make any statement as to what the magnitude of the price problem is that the industry is concerned about getting settled before agreeing to anything on this order.



Mr. Chadwick: Yes. I can and will be glad to. It is pretty well conceded that the big factor in revising this order is the increase in edible products, and I am referring to liquid products particularly that have occurred in Louisiana, which has been due largely to the reason that the man making raw sugar had one of two choices. He had to swing to the manufacture of something else or lose on his operations. It seems to me that that is of paramount importance, as far as Louisiana is concerned.

Mr. Marshall: That I am getting at is, assuming that molasses prices are constantly held where they are, say, what is the amount of increase of return that will be needed for raw sugar manufacture to be attractive to producers again?

Mr. Chadwick: I thought that was to be brought up at the Raw Sugar Committee meeting, of which I am not a member.

Mr. Marshall: I am not asking you to speak for that committee. Unfortunately, it had received information which was not in accord with what we were working out with the beet people where we were starting out on an entirely different premise. Now we are not able to get a statement as to what the magnitude of the price problem is.

Mr. Chadwick: I am making informal remarks. It is <sup>not</sup> the desire on the part of the producers of Louisiana to swing into something else, to change to a different product. They are forced by necessity to do that to keep from showing a loss. That is the suspended figure that seems unsettled.

Mr. Marshall: For instance, the gentlemen at the sugar meeting told me that, knowing what they did on Commodity Credit operating a subsidy program, knowing what they did about the purchase of sugar from Cuba, they felt assured of a price of raw sugar of 5 cents minimum.

Mr. Murphy: When?

Mr. Marshall: They presume right away.

Mr. Murphy: That is quite a presumption since you do not have to start absorbing until January.

Mr. Marshall: I am not asking you to commit yourselves on behalf of that committee. I am just asking you to give me an indication of what the sugar price has to be before we can talk about molasses. At what price could we assume producers would be taken care of. Is it 4.75, 5.00, 5.25? Can you give me what that price is? I am prepared to give the industry some reasonable assurances.

Mr. Chadwick: Certainly the members of the Advisory Committee on Sirup and Edible Molasses are not in a position to advise you what might be acceptable to another committee which has met, or is now, meeting.

Mr. Marshall: I meant you as a member of the committee and as a sugar mill operator, are you in a position to give me your own views?

Mr. Chadwick: As to the price on raws?

Mr. Marshall: Yes.

Mr. Chadwick: I am not.

Mr. Marshall: Are you, Mr. Murphy?

Mr. Murphy: No, I thought this was a molasses problem.

Mr. Marshall: You told me you were not free to talk about molasses until you talked about raw sugar. If you do not want to make any statement on it because another committee was working on it --

Mr. Murphy: Suppose you take the normal yield--100 pounds of sugar to a gallon of molasses, apply the price to it, take 154 pounds of raw sugar, the yield last year, 6,500,000 gallons of molasses, the Government's theoretical yield, and multiply it out and you find out what the difference is, allowing about 30 points for the extra cost in direct consumption sugar, for the small cost of chemicals and the large cost of stock.

Mr. Marshall: We do not have those figures. We may have them when we get through, but we do not have them now.

Mr. Chadwick: To me it would seem very poor taste on our part, sitting on a molasses committee meeting, to attempt to answer a question which another committee, in the process of meeting, is handling. I would prefer not to make an expression.

Mr. Marshall: I appreciate that and that being the case, will you feel free to express yourselves on what you think of this order, on the assumption that we will be able to work that problem out, and then state any general remarks you do care to make.

Mr. Chadwick: I think we can express ourselves as individuals, not as an industry, predicated on the thought that it is something back of us, not something in front of us.

Mr. Marshall: As I understand this committee you do not commit anyone when you make a recommendation or statement to us. You just state your views of the matter for our help. If you are able to state what other people think about it, that is fine. I do not understand that you are the public or official spokesmen for other people, and what you say does not bind them in any way.

Mr. Holstein: That is correct.

Mr. Murphy: I still think this new order is entirely too strenuous. You are going into the wrong period. You are living in the past.

Mr. Marshall: I think if we will take the provisions, we can discuss that when we come to it.

Mr. Murphy: This order will not take care of the direct consumption sugar house who cannot make anything else. Mr. MacHardy spoke of a 35,000,000 gallon quota, 14,000,000 to the refiners. That brings it down to 21,000,000,  $1\frac{1}{2}$  millions exports ---without any statement as to how you are going to properly control exports. That brings it down to 19,500,000 gallons. There are over 18,000,000 made in the South outside of the commercial institutes. If the Government sees fit to put into effect that published share quota, we will have a quota of  $1\frac{1}{2}$  million.

Mr. Marshall: That is a good point for discussion because there is a provision in there--the quota provision. Before we proceed to do that, do you or does any other member, have any general comments about the order so far as you know, not covered by specific provisions. If so, we will go into it.

Mr. Chadwick: Yes, I have one of a general nature before going into the provisions. I have here--and I think they are approximately correct--the production figures for the various industries from 1940 to 1945. I use 1940 because this proposal refers to the marketing year of June 30, 1941, which is the Louisiana crop year of 1940. Taking all of the producing areas including Florida, beet, Hawaii, Puerto Rico and the Virgin Islands, everyone of those areas shows a decrease in sugar production, Louisiana being the only one--the only exception--other than a foreign country, and that is Cuba. Louisiana produced in 1945, 153,000 more tons of sugar than in 1940, equivalent to 69 percent more, so at this late date--the second producing season after the war when the Congress is supposed at least to be trying to get away from regimentation and additional controls--, for the sake as regards edible molasses of 24,000 tons of sugar in the crop of 1945, which when reallocated will be less than 20,000 tons going into that healthful, desirable product, and after the one and only area that has turned into the Government under the hardest conditions as to securing labor, as to securing equipment under the great scarcities that have prevailed--, still Louisiana gave the Government an increase of 153,000 tons of sugar--we do not think it is fair; we do not think it is just; we do not think it is right to come into Louisiana now and say "We want to put you under this. We are going to put you as regards sirup and molasses under a degree of regimentation the like you have never seen." I do not think we deserve that treatment.

Mr. Marshall: I am sure, Mr. Chadwick, the Government is highly appreciative of the extent to which Louisiana has maintained its production. It has been a good record. The only real Government concern at this stage is with the necessity to conserve sugar and increase our stock of sugar. Sugar is still the most scarce commodity we have.

Mr. Murphy: With the possible exception of molasses. There is more demand for molasses than there is molasses to supply the demand.

Mr. Marshall: I am sure you understand the reason that the demand for molasses has been magnified. It is bound in with the problem of sugar. The shortage of sugar causes the increased demand for molasses.

Mr. Murphy: I have heard that stated.



Mr. Marshall: If you look at past experience I am sure it will be quite clear that when there is plenty of sugar there is no such tremendous amount of molasses produced and used as now. I think it is bound in with the scarcity of sugar. Everyone knows that and admits it, I think.

Mr. Murphy: Nobody is taking issue that there is a scarcity of sugar. I stated there is also a scarcity of molasses.

Mr. Marshall: I do not question that a bit.

Mr. Chadwick: I do not believe there is any advantage in saving 24,000 tons of sugar and putting another industry out of business entirely and swinging in the residue we have been using for edible products to blackstrap molasses which is ordinarily considered inedible and depriving the American people of this product in the form of molasses, I do not believe that is good business under any circumstances. I think it is particularly bad to say to Louisiana "You did a swell job and to show our appreciation we are going to put you in a straight-jacket."

Mr. Marshall: I hope you understand we certainly do not like putting anybody in a straight-jacket. It is only because of the extreme shortage of sugar that exists that we in any degree put you in a straight-jacket.

Mr. Chadwick: If there were 142,000 tons of sugar or any appreciable amount involved; if it was done last year or the year before that, there might have been some reason for it, but here we are in the second grinding season after the war when Congress has several times stated it as their policy that we should get away from controls, which I believe the Secretary of Agriculture has concurred in, you submit this thing to us. I am telling you as a producer, if this thing is enacted as it is written I can only live as a producer by the grace of my friends who are the buyers. I can only make molasses if in their kindness they give me a little order in which they state they are in position and will furnish me with certificates when the molasses is delivered. That is a terrible thing. I am astonished the Government would make such a proposal.

Mr. Elvey: If you assume we are going to have some sort of control even though those other factors you outline would not be desirable, would it be more effective to have the restrictions on molasses production constitute the placing of producers' quotas as well as users' and blenders?

Mr. Murphy: It depends on what you want to do, if you want to lose cane.

Mr. Elvey: I mean which alternative?

Mr. Murphy: The alternative would be to leave cane in the field.

Mr. Chadwick: That is absolutely correct. There are a number of houses in Louisiana that could not make blackstrap molasses to save their souls. They never have made blackstrap molasses. They have no equipment for blackstrap molasses. The nearest approach they can come to it is to take the magma and put it where Nature and the sun will dry it out. You will still have a product higher than ordinary blackstrap. That is the only way we can do it. I am answering your question. If you say to me "Your quota is 110 percent or 190 percent of any year,"

the only way I can do that, Mr. Elvove, is to figure out as best I can the stuff I can manufacture. If I make anything over that I would be a fugitive from justice. It would be a serious crime. I could not afford to do it. The only think I could do and that Dick Murphy or Brown or other houses could do is to go back to the cane growers and say "Sorry, boys, but the Government has written this regulation prohibiting us from making more of this product. Consequently we cannot buy cane beyond that product." I am asking you, do you want that?

Mr. Elvove: I can certainly say, can I not, Mr. Marshall, that the Department of Agriculture would not want sugarcane remaining in the field after the grinding season.

Mr. Chadwick: But you would have it. It is not something like a spigot that you can turn off and on. We have to recruit our people, 90 percent of them are from an entirely different area from where we live. We have already instructed the people we figure to get to report at our place October 5th with the idea of starting grinding October 7th. We cannot wait to have commitments from anybody when we start.

Mr. Elvove: The alternative for you if you have to have regulations--obviously you do not want them--is to have given you a quota of X gallons to produce.

Mr. Chadwick: I certainly would want to know what we had to do. It would interest the growers. It would interest the American public to know we are having sweets spoiling in the field.

Mr. Murphy: If you do have the X gallons of molasses you would have the cane in the field anyway.

Mr. Elvove: Then it is better not to have the firm orders or commitments you speak of, if you do not have a quota?

Mr. Murphy: It is a beautiful document if you want to put the Louisiana producers out of business. Otherwise it is not worth the paper it is written on.

Mr. Caffery: It makes a buyers' market, does it not?

Mr. Hathorn: The buyers have this: They have a checking account, but they have a certain period in which to draw those checks, if they want to take advantage of that checking account. That is when the manufacturer or producer has his production. If a buyer does not get on the books he will not fill his quota. I think a buyer, rather than sacrifice his quota or any part of his quota, will be fairly prompt in getting into the market.

Mr. Chadwick: You cannot work on that assumption when you are working with the elements. One house has already dropped out. That leaves three of us to carry the load of four. We cannot lose a minute. There is no argument or disagreement between us and the buyers. They are our friends. We could not exist without them. Suppose the buyer decided--as I understand this he could buy any sirup--refiner's sirup or residual sirup or molasses--suppose the refiner, the buyer, in the final clean-up would rather have--he has the preference--sirup to the exclusion of molasses or vice versa, cannot you see how the thing would work. You shut the brand new houses from coming in and making that stuff. There is



not a frazzling thing the way that thing is written that will keep them from saying "I am going to manufacture it by the simple expedient of cutting profits." Suppose the buyer says "Why go to the old line manufacturer producer who cannot make anything but molasses. Let the cane spoil in the field. We will make you a price of 20 cents a gallon where we have been paying 28 cents or a price of 30 cents where we have been paying 38 cents." I leave it to you gentlemen in all justice, is that a fair or equitable position to put us producers in?

Mr. Hathern: At least it is a competitive position. A similar condition would normally arise between two houses that produce sugar and molasses in competition for the necessary market. The only difference is that they now compete for quota certificates.

Mr. Chadwick: It could follow. We cannot make anything else. Rather than close up. Rather than disappoint the growers who depend on us to buy their cane, I could very easily and logically say to any of these buyers--"Dick Murphy, give it to me. I will cut the price." I invite that. What have I done to deserve that?

Mr. Martin: You said you thought the buyers would draw on those accounts. How are you going to find out what the buyers will do?

Mr. Hathern: It is simple. A firm has a quota. It would follow that your firm, for instance, knowing that Mr. Chadwick and others produce edible molasses and that you would have to buy from those companies, would not sit by without making any effort to obtain your quota before the crop was made up into sugar, where it would then be too late to obtain the quota. In fact, most of the letters that have been coming in to us representing a cross section of the country are from blenders and food manufacturers who say they must have in advance additional authorizations so they can go now and buy where they normally would buy, to be sure of getting from the producers a supply of edible molasses. So, I cannot think that any quota holder, understanding and knowing that if he does not get his firm orders or commitments on the books he will have cut himself off completely from his supply, will be inclined to sit back and not get in his orders.

Mr. Martin: You are assuming all these products are interchangeable. If a man wants refiner's sirup and not some other kind of sirup--not all Louisiana producers make refiner's sirup--there are a lot of variations, Georgia sirups and what have you--If all the products were interchangeable I might go along with you. If a man wants refiner's sirup, your restrictions under WFO 7 reduce the available supply on paper from 22 millions to 14 millions gallons. The picture looks a little little so that if a man wants refiner's sirup, he might be inclined to wait. We are not producers of various types of products. According to the best figures we can make an advance prediction the price of first molasses as to raw sugar and blackstrap is somewhere between \$1.50 and \$2.50 a ton. A producer can probably give you a better figure. That is our rough guess. It is certainly possible to have a house--an individual producer of edible molasses come to us and say "I have \$2.00 profit on this molasses which you have been buying from this producer or some other at 38 cents a gallon. Thirty-eight cents is too high and I will sell it to you at 35 cents, 33 cents, or 32 cents. Whether that would tempt that buyer I do not know. It is a question of speculation. It would be attractive.



The old line producer is faced with the alternative of cutting the price or not being able to run. He is dealing with the factors of weather, yield and so on he mentioned. He does not know what his production will be until it is made. You make it all alike and take the mosaic out of it.

Mr. Elveve: Is it not true, as Mr. Chadwick just pointed out and you also outlined, it is limited to those mills not equipped to make raw sugar. If a man is really a raw sugar producer there is no hardship here and the cane would not have to stand in the field because it could be ground through to blackstrap.

Mr. Murphy: He will lose money. He is not going to lose money.

Mr. Elveve: I do not know if he will lose money.

Mr. Marshall: It is not a question of losing money. The figures show a net profit of 41 cents a bag on 100 pounds of raw sugar. He may be able to make more than 41 cents on other products, if that is what you mean. It is still a very good profit.

Mr. Murphy: How about those four mills that closed down? How do you account for that? There are no legal conditions that keep them from operating. We just closed a sugar house. Our shipments were delayed, etc.

Mr. Marshall: That constantly happens in any healthy business enterprise. Some close up.

Mr. Murphy: It sometimes happens but when it happens as a result of inefficient control you look to the people who inefficiently controlled it.

Mr. Elveve: Certainly those four mills did not shut down because of the molasses control because there was no direct production control.

Mr. Murphy: What are you talking about?

Mr. Elveve: I am talking about molasses.

Mr. Murphy: I did not know. You switch from one to the other.

Mr. Chadwick: It says here, "Unless specifically authorized by the Administrator, no producer shall manufacture edible molasses without first securing firm orders or commitments covering the quantity of edible molasses to be manufactured." Then the definitions of firm orders and commitments set out just what that is. You are discussing this thing in the light of one year, 1941. I am not sure even in 1946 we will be able to get the firm orders and commitments to the extent that I as a producer am willing to go ahead. Aside from that and in addition to that, once you get your neck under a yoke like this it gets out very slowly. It is entirely reasonable, based on past history, that this will be in effect next year. We have had times when even old established firms have made low grade molasses. That is the only time, under those conditions, and following a freeze when we ever made low grade molasses because we could not do anything else. You are going to have an adequate supply of sugar. It may be next year, certainly not longer than two years. If we are under this thing by what reason can we assume

at all we would be outside of that aside from this year. I tell you, Mr. Elvove, as a producer I am not willing: I may have it forced down my throat, but I am not willing under any conditions to go along with provision (b) at the top of page 3. It is contrary to any arrangement I have ever heard of. The buyer does not want it. Even this year I can see a situation it might encourage, a situation you want to prevent. It might even this year cause just the thing you are trying to prevent. Prior to control the one thing that these buyers feared more than anything else, and I think rightly so, was the fact that they would come out earlier and buy their product and later there would be some distressed molasses their competitor would buy at some cheaper price. Is that correct?

(Several voices replied "That is correct.")

Mr. Chadwick: This invites and leads to this situation because the buyer could very well sit back this year, knowing this spread between raws and refined, knowing what it is could come down some later date and switch those products. They could at some later date fill those quotas. Gentlemen, I do not see as an honest, hard working, food producing, individual who spent my business life in the sugar business, I do not see and I do not believe, so help me, if you enforce the conditions that you could present any arguments whatever in support of paragraph b.

Mr. Elvove: Under WFO 51 as it now exists the people who could take delivery of edible molasses are restricted to those who have a history. Would you as a producer, without knowing to whom you would sell your edible molasses, would you have produced any quantity of edible molasses without having some idea to whom you would sell?

Mr. Chadwick: We have produced edible molasses, and before we produced it I will say we had some idea as to whom we would sell it under free trade conditions. Our business is built on the good will of the people to whom we sell our products.

Mr. Elvove: I am talking about WFO 51 prior to this. Last year, for instance, did you or did you not have knowledge as to who would buy your molasses?

Mr. Chadwick: Yes, and I have the same idea for this year. Instead of your forcing this on us when we ought to be at home doing our darndest to get the crop saved.

Mr. Martin: Since the 1940-41 season several mills elected in Louisiana to produce sirup and can. These producers and packers, I assume, must have an authorization. They are very direct and important competitors in the pure sirup field. They have been our competitors in times back and will be when this is over. Do you propose to go to these fellows and tell them they must establish a quota or you will not let them operate even though they have put up money to get equipment?

Mr. Hathorn: If a ~~sirup~~ mill is without a quota or without any type of authorization next year--that would be the position. In other words, only present quota holders rather than present holders of authorizations will be operating next year. These quota holders, for the most part, appear on the list that will be passed out to the committee members. There were authorizations this year in addition to these quotas. There were authorizations to old companies to exceed their quotas and other authorizations to those who have never blended or packed edible molasses



before. Each of the authorizations for this year were for a specific purpose and a specific period and there was no commitment by the order Administrator, no precedent set, for the granting of authorizations next year. Since there was no precedent and the authorizations were for a specific period and applied to last year's crop, they will not be operative on next year's crop.

Mr. Martin: I do not think you have answered my question. Those mills have been built. Do you know, to your knowledge, have you granted quotas to those new mills?

Mr. Hathorn: To my knowledge, we have not. The War Production Board under certain conditions granted quotas, I think, to one or two individuals. The War Production Board did that under conditions similar to this: A company was built just before the order went into effect but it had no history of production during the interim between the completion of the plant and the date of the order--these were given quotas.

Mr. Murphy: Don't you realize the fact you will have to give those people a quota or take the onus of losing cane? Don't you realize the fact the reason those mills have been built so they can can and get 49 cents or 63 cents for sirup and sirup cannot be produced at its ceiling of 39 cents. That was the reason they were built.

Mr. Hathorn: They were built under controls which have been in since 1941 or 1942. This present order provides for quota of 110 percent of the base period 1940-41 (use). Order M-54 preceded this order and had the same base period with use limited to 100 percent. If a person, knowing he had no quota and knowing he was investing his money in an enterprise which was rigidly controlled by the Government, did so anyway, he would create his own hardship.

Mr. Murphy: To take care of the cane grown in his vicinity. I see where Mr. Grayson will have to have three segregations in his records: amount ground, amount ground by precedent and amount ground by authorization. (Laughter.)

Mr. Murphy: You laugh at that but you must take that seriously. If you lose cane in Louisiana and it is your fault it will be hung on you, don't forget that.

Mr. Marshall: I know whatever happens it will be hung on us. We will be blamed. (Laughter.)

Mr. Martin: Without a quota you will have to cease operations.

Mr. Hathorn: Those mills were built with that knowledge.

Mr. Martin: Oh, they had knowledge?

Mr. Hathorn: It seems anyone who read the regulation had knowledge. It was published in the Federal Register as early as December 1941 -- They may produce but--

Mr. Elvove: They will produce with firm orders or they will not produce.

Mr. Hathorn: In excess of 1,000 gallons.



Mr. Martin: You can rely on that?

Mr. Marshall: You cannot rely on anything. We are not handing our decisions on any question as to what we are going to do. We are giving you our views at the moment and later the order will be modified with any help we have from you.

Mr. Martin: What about the mills built last year and operated last year? What about their quota?

Mr. Elveve: Assuming the order is at it was published in the Federal Register, under that order they would have no status. They must go to Martin or Saar or somebody who has a quota and get firm orders or commitments. They cannot pack themselves because they have no quota. There is no exception the way the order is written. We may end up with something different but under this if he has no orders or commitments, he cannot produce.

Mr. Saar: Suppose he cannot get orders or commitments?

Mr. Elveve: He cannot make edible molasses until he has the orders or commitments.

Mr. Marshall: As I indicated, we are not going to hand out any decisions. That would more or less invalidate the position of the Committee. I think we had better pass on from general discussions and go through the order and get all the comments and suggestions we can for whatever use that they may be to us and then decide whether to amend the order and if we so decide, exactly how to amend it.

Mr. Chadwick: Before we go into that, I would like to state that as to Louisiana at least, that 24,000 tons of sugar saved as regards molasses and sirup prices--you are not going to be able to administer it anyway. You will get in Mississippi, get in Georgia, get in Arkansas and get in Florida. It is much too late to put them under control. Realizing the possible loss and the probable loss under this proposal as we now have it, as a producer of a good crop of Louisiana I would like to say that it is our advice that the total amount involved is not worth it. It is too little and too late. It should be abandoned.

Mr. Marshall: You understand, of course, it is not limited to Louisiana.

Mr. Chadwick: That is the point. I have been doing all the talking. I would like to leave it to the other gentlemen from other parts of the country.

Mr. Sullivan: These mills selling products at a base of 49 cents--will they be able to get that base for that type of sugar sirup--65 cents or whatever it may be? The buyer will expect to get it at the 39-cent price.

Mr. Marshall: Are you asking if there is going to be any change in the ceiling price?

Mr. Sullivan: I am asking as to the base.

Mr. Marshall: As I understand your question, you can answer it better than I as you know more about that than I do.

Mr. Sullivan: The buyer will expect to be protected at 39 cents.

Mr. Marshall: Shall we proceed with the order and get your comments provision by provision.

Mr. Elvove: I think we might start with these definitions. The first one concerns edible molasses. Any questions?

Mr. Chadwick: I think it should be pointed out that we should have some expression from the people who are familiar with small farms--It involves the production and manufacture of sirup of eight states--to the effect that it is absolutely unenforceable.

Mr. Elvove: That is not in the definitions. The control part takes care of the eight states.

Mr. Chadwick: One thousand gallons.

Mr. Elvove: The next definition is sugar. Sugar was left out because we have recently defined sugar. I have here the new definition of sugar. You can see what is included in this molasses order by reason of not being sugar. This is the new definition of sugar.

(Mimeographed copies of "Definition of Sugar--Effective August 22, 1946" were passed around.)

Mr. Elvove: The principal difference is that a new factor is brought into the definition, namely the inorganic salt content or sulphated ash crystal factor, in determining whether a product is sugar or edible molasses. As outlined here, it includes everything that is not edible molasses. If a product is edible molasses, it is not sugar. There is no overlap. All sweetening agents from sugarcane or sugar beets are either edible molasses or sugar.

Mr. Hathorn: Or, of course, blackstrap molasses.

Mr. Caffery: Does that mean molasses is liquid sugar?

Mr. Elvove: No, that does not mean molasses is liquid sugar. It says "Sugar means--." In the definition of edible molasses, sugar is excluded from being edible molasses. If sirup is not under control of WFO 51, it comes under Ration Order 3, the OPA order as sugar. This is designed to take into consideration for ration control, products recently obtained by new processes. The result is sugar, not edible molasses. Such products as produced under the ion exchange process, for instance, are brought in under rationing by this definition. A product will be sugar if the sulphated ash is sufficiently low; if it is not, it would be edible molasses. The definition is designed to be all-encompassing and it is the intention to repeat the definition of sugar in the edible molasses order.

Mr. Kavanaugh: Is the definition the same as under the Sugar Act of 1937?

Mr. Elvove: The difference in this definition is as follows: Under the liquid sugar definition, Louisiana cane sirup and cane sirup produced anywhere else in continental United States, becomes a liquid sugar when non-sugar solids drop below 4.5 percent. It is no longer Louisiana or Georgia cane sirup. It becomes liquid sugar.



Mr. Saar: What is the average soluble non-sugar solids in Georgia cane sirup?

Mr. Grayson: Above four and a half.

Mr. Elvove: If it is run through an ion exchange process, or any such plant, it would become a liquid sugar.

Mr. Kavanaugh: If that should happen and we decided that with the advice of our technologists--if he assured us 4.5 was a safe figure--

Mr. Elvove: Answering your question, Mr. Kavanaugh, if soluble non-sugar solids are put through a process, the sample will be known as a sugar sample. If the non-sugar solids are still way up and it is usable as a liquid sugar, this makes it a liquid sugar and it is directed at these new processes. Apparently you had some impression the small farmers were not adequately taken care of by the definition of producer there.

Mr. Chadwick: I am not attempting to pass on the 1,000 gallon thing so much as to bring out those farmers--correct me if I am wrong--they were not under the Sugar Act. They passed them up under the Sugar Act. Have they heretofore been under control?

Mr. Elvove: They have been under WFO 51 if they were a producer and packed molasses in excess of 1,000 gallons. I will not sit here and say they all complied with the order. There have been situations where producers of more than 1,000 gallons have not functioned as they should have under the order, but this order now brings them under control if they pack more than 1,000 gallons of molasses so we should, if everybody obeys the order, have many more people under this definition of producers. It is the same definition that we had before.

Mr. Hathorn: There is no change from the definition in the present order.

Mr. Elvove: Any other questions as to producer except the fears expressed by Mr. Chadwick that it might bring in a large number of people?

Mr. Chadwick: I think some recommendation should be made to take care of the assumption with regard to small farmers. It is pretty general knowledge.

Mr. Murphy: If enforced it would cut our quota down?

Mr. Elvove: This may be true, and I suspect strongly it is true, that a large number of small producers and packers in Louisiana have gone ahead and produced and packed without much concern about WFO 51, but very likely it would be found out if we go into those areas and say "You have to comply with the order to the letter," it would be found that they have basic quotas which are not on this list. If they register those quotas and stay within them, it does not mean that your potential 18 million gallons or whatever it is, will be charged with their operation or production. I strongly suspect a lot of people have quotas who failed to publish them and a lot of people are not on this list and should be on it. Similarly, we suspect some on the list have more than they should have and others less than they should have. It is not a thing complete. We hope we will receive for publication and get the list in such shape that it does adequately reflect production under this new order. Let's get to the meat of the order.



Blender--One thing we have been criticised for is that we have never adequately defined what we meant by blender or processor, and under this order we tell you what we mean. I would like to have any suggestions you may have about that. We tried to spell it out so we would give some indication of what we meant but do not want to be too restrictive. We feel this proposed definition prevents evasion by lack of definition.

Mr. Caffery: It says here "from a producer."

Mr. Elvove: Either by a producer or a distributor--He is authorized to obtain his molasses from a producer. You are a blender as to one company, Mr. Caffery, and a producer with regard to your other operations. Any other questions?

Mr. Deacon: Does our status change?

Mr. Elvove: No, I do not believe it is changed.

Mr. Zimmerman: What does blender include?

Mr. Elvove: In our former order blending includes but "shall not be limited to packaging and processing." We specify what we mean by packaging. If you look further in the order there is an exemption for people who pack and process larger than one gallon. Mr. Holstein has suggested the parenthetical phrase, "who blend or process." No questions on that Distributor definition?

Mr. Martin: Why include a blender as a distributor?

Mr. Elvove: He is not included as a distributor. A department of your business might be the distributing end of your operations, in which case you would be a distributor, as well as a blender.

Mr. Holstein: Different conditions apply to a blender and a distributor. It is merely for the purpose of drawing a line between you.

Mr. Murphy: I suggest we strike out those four words.

Mr. Elvove: It is for the purpose of clarifying it.

Mr. Murphy: It does not clarify. It mixes you up.

Mr. Saar: It makes it ambiguous.

Mr. Holstein: That is all right. Strike it out.

(Parenthetical expression under No. 6 also struck out.)

Mr. Elvove read the next definition - "Food Manufacturer."

Mr. Murphy: I make the same suggestion. Eliminate those four words and the parenthetical expression.

Mr. Martin: Why say "Other than a blender"?

Mr. Elvove: To the extent that you used processed edible molasses in manufacturing products of human consumption other than edible molasses as such, you are a manufacturer of food and not within this order. Your quota is what you take from the distributor or producer, not what you take from a blender.

Mr. Holstein: The point in putting these four words in this definition "other than a blender" is that a blender is, in a certain sense, a food manufacturer. Since we want to be sure this definition excludes a blender we put in the definition "other than a blender." If you want to make it clear, it should stay in.

Mr. Kavanaugh: We may take two kinds of molasses and blend them for the use of our products. We are offering them for sale as molasses, therefore we are not a food manufacturer.

Mr. Elvove: We do not care if a food manufacturer mixes his molasses as long as he does not sell it. He can make a fine gingerbread out of it.

Mr. Murphy: I cannot see that you make the meaning clear by leaving in that.

Mr. Holstein: To a layman, that is precisely what a blender does. A food manufacturer uses over 100 gallons for human consumption. If you are a blender you would make an edible product fit for human consumption. If you use molasses for a product for human consumption other than edible molasses, you would be a food manufacturer. We would control you as a food manufacturer, not as a blender.

Mr. Murphy: Does he care what you call him?

Mr. Holstein: Yes, but we have a different control for him as a blender than as a food manufacturer.

Mr. Elvove: You do not want to say that blended molasses is not fit for human consumption.

Mr. Murphy: Say "which is normally used" for human consumption.

Mr. Saar: I take the position all molasses in Louisiana except blackstrap is fit for human consumption.

Mr. Elvove: We used to have it the way you suggest. We recently made it "which is capable of being used for human consumption." It already happens in a small way that a person could manufacture a good first molasses and use it for inedible purposes and it would not come within the province of the order.

Mr. Saar: You mean use it for feed?

Mr. Elvove: Feed or alcohol.

Mr. Saar: It could be used for alcohol.

Mr. Elvove: We did not want to say "bad molasses" or "not good molasses" when it is in such short supply.

(Mr. Elvove read definition of "marketing year.")

Mr. Murphy: That is the same.

Mr. Elvove: "Yearly quota." That is what we used to call yearly supply. We put 110 percent in the definition. You folks call it quota so we thought we might as well agree to call it what it is generally called.

Mr. Holstein: Strike out the parenthetical expression again.

Mr. Murphy: The whole trouble with the whole order lies in this 110 percent. As far as Louisiana is concerned, Louisiana direct consumption mills will make about 190 percent of what they made before. That 110 percent is entirely inadequate so far as Louisiana's share is concerned.

Mr. Elvove: That part, that 110 percent, applies to blenders and food manufacturers not to producers, and 110 percent applies not only to Louisiana and other continental areas, but offshore imports which are now prohibited. That is that, about 9 million gallons?

Mr. Hathorn: About 9,700,000 at the 110 percent rate.

Mr. Elvove: Almost 10 million gallons.

Mr. Hathorn: It looks like pretty close to nine million for the base period, including drawdown on stocks, which will be made up from domestic production.

Mr. Saar: We still get molasses from the West Indies.

Mr. Elvove: The only exception is the one you speak of, the small importation from Barbados. All the others, -- from Cuba, Puerto Rico, or the Philippines -- those imports are to be made up, and will form 110 percent of the total quantity blended, processed, or packaged. They will be made up probably by Louisiana.

Mr. Chadwick: The refiners will make it up.

Mr. Saar: I would not go as strong as Mr. Chadwick. The production of refiner's sirup is restricted under the administering of WFO 7.

Mr. Elvove: That is right. The refiners are restricted to what we estimate will result in about 14,000,000 gallons.

Mr. Murphy: If that is lifted--

Mr. Hathorn: If that is lifted, you can pretty well expect lifting of the other controls.

Mr. Chadwick: Are the refiners not given the choice of a number of years?

Mr. Murphy: The best three out of five.

Mr. Elvove: The refiners, unlike the Louisiana edible molasses producers, do not have that particular bounty which I spoke of; namely, the increase of production to offset losses of offshore imports with which to satisfy most of this 110 percent. In other words, your production is flexible and can make up the import losses and balance off what the refiners will receive. Refiners still have to get commitments from quota holders.



Mr. Chadwick: Are there any ways by which imports can be split up? Won't it possibly work out 55 percent of one producer and much larger than 110 percent for another?

Mr. Hathorn: It might because the production is controlled by how blenders and food manufacturers use their quotas. They are not frozen in their choice. It is open to competition.

Mr. Chadwick: That is what I mean. They limit the quantity that can be made by producers in Louisiana through the provisions of their firm orders. Could it not well work out in this that one segment of the industry that produces sirup or molasses might get a better share than the other producer because we cannot switch from one to the other.

Mr. Hathorn: Yes, but that is already the situation, would you not say? Isn't it true that all of these producers must compete on the open market?

Mr. Chadwick: The difference is, with no control we produce so much more. As I get it, you figure to reduce the production of Louisiana from say 23 million to 9 million.

Mr. Hathorn: I have never heard nine million figure. I would say that the refiner's sirup production won't go over 14,000,000 gallons, a reduction from 22,000,000. The total production of edible molasses that would be made to satisfy these fellows with quotas and the veterans who are not included in these quota figures would be about 37,000,000. So subtract the 14,000,000 from the estimated 37,000,000 figure and you have 23,000,000 gallons that would be made up of Louisiana production, small imports from Barbados and some by Florida and Georgia.

Mr. Saar: What does Florida and Georgia amount to?

Mr. Hathorn: I regret this exceedingly, but I have no tabulation in my possession at the present time on their total commercial production. As I recall it is only 2 or 3 million gallons. I think the Louisiana producers would have close estimates on that.

Mr. Martin: We have asked for a list of the quota holders. We also requested a statement on breakdown of the base quotas between the refiner's sirup and black-strap and other sirup and molasses. Sometime in 1943 the U. S. Department of Agriculture published a release giving those statistics for the first six months of 1943. It occurs to me that it would be very helpful to the committee in discussing this very point in question, if we had it for 1943, 1944, 1945, and the first six months of 1946 what was the total quota.

Mr. Elvove: 34,000,000 gallons--that is 110 percent.

Mr. Hathorn: There is a veteran's program not included in this. The veteran's program is in addition to this list which I will hand out.

(List of quota holders was passed around.)

Mr. Elvove: I wish everybody would notice these quotas are not official quotas. They will have to be reestablished for the next marketing year.

Mr. Hathorn: The quotas are based on total use of edible molasses. The American Molasses Company, for instance, is entitled to purchase their quota of edible molasses in quantities they desire in various types. They can buy first molasses, second molasses, refiner's sirup. If they want to take it all up in blackstrap, they can take it all up in blackstrap.

Mr. Chadwick: That is what makes it so terribly indefinite, what we can do under this thing.

Question: (Speaker not identified) How do you know 14,000,000 refiner's sirup will be purchased?

Mr. Hathorn: I do not know that 14,000,000 gallons will be purchased, but I don't think it will be more than 14,000,000 because of the production restrictions of WFO 7.

Mr. Chadwick: The assembled figures give no indication as to what Louisiana will get. We know what Louisiana will get if it gets what is acceptable to Louisiana.

Mr. Saar: That is why I asked that question.

Mr. Hathorn: It is a question of whether Georgia or Alabama producers are within this set-up. We feel many have not registered quotas that are entitled to quotas. They have simply not operated within the letter of this order. The 110 percent established in that will include them, but their quotas are in addition to the 34,000,000 gallons.

Question: What requirements do veterans have to meet to get 50,000 gallons of this product?

Mr. Hathorn: I would prefer to wait until the veteran's program is completed before discussing it. It is being changed. If we can postpone our discussion, we would prefer to wait.

Mr. Murphy: When Mr. MacHardy was down here he said that by leaving out some of the Southern sirup, Mr. Hathorn tells us to, we will get the sale of eight or nine million gallons of molasses because some people do not report. It looks like it would be a good idea not to report. Why don't you earmark a certain percentage or a certain number of gallons of this quota for Louisiana just as you have done for the refiners. The refiners turned out 22,000,000 gallons last year and we turned out 23,000,000 gallons and you earmarked that for them.

Mr. Elvove: You understand we have not earmarked it. That 14,000,000 gallons is our estimate. The refiners still must get firm orders or commitments for that amount of refiner's sirup in order to produce it.

Mr. Murphy: That is the same as saying, "If the sun will rise tomorrow."

Mr. Hathorn: In the base period the refiners claim they produced 12,000,000 gallons. Now the refiners go to 14,000,000 -- actually I think it will be between 12 and 14, and that they produced on the low side, 12,000,000 in the base period. The imports are considered and make up a part of blenders and food manufacturers quota figures.



Also, there appears to be a distribution in addition to the imports during the base period. Probably the imports plus the withdrawals from storage. It has been stated the base period production was small for Louisiana -- the production in Louisiana for the 1940 crop was low. We will presume the demand was still there for edibles and withdrawals from the warehouse stocks of molasses imported prior to the base period make up the difference between domestic production plus imports, and the amount distributed. If you take the production of edible molasses in the base period, including refiner's sirup -- take the refiners estimate and Louisiana's estimate and the imports and add them together, all taken together, you still aren't too close to the total base period figure for distribution. The balance might be considered Alabama, Georgia, Florida production and stock drawdown.

Mr. Murphy: You see what I am getting at. All the figures you suggest are very theoretical. If you cannot buy molasses anywhere else, you can buy Louisiana molasses. That is a hard way to run a business. If you do the right thing by the raw sugar people and give the edible molasses people what you give the refiners, I do not think you would have much trouble. Those two things are tied together in this order. I do not want to be calling "wolf" all the time but I do not want to see two things happen: I do not want Louisiana to have a bad name. The other thing I do not want to see happen is to see a lot of cane lost by reason of a human mistake by people who do not understand the game. I very firmly believe if you put in this order the way it is written you would have to come down here and police the whole industry to keep from losing cane. When you shut down a mill you would have to be prepared with a crew to operate it because once it is closed down it will never start off again unless you have a new crew to go in. Don't take my word. Ask anybody familiar with Louisiana conditions. I do not want to see a whole lot of violations. There have been violations. One firm took about a half a million dollars away and got fined by the U. S. Court \$2500. That is a pretty good percentage. He did pretty well, don't you think? But that gives Louisiana a bad name. We are not a lot of law-breakers down here unless you make us so, but if you make us so, that is your responsibility. You cannot escape it.

Mr. Chadwick: I got the 9,000,000 gallons from discussions with MacHardy. I don't know if it is right. But unless you can tell us--your figures are all theoretical--unless you can tell us what we will have for Louisiana--

Mr. Hathorn: The order has to be an order applied to everyone using edible molasses in the food manufacturing business, everyone in the blending business, everyone who produces, whether in Louisiana, Alabama, or Florida, or in the beet area.

Mr. Chadwick: If the refiner operating here is not permitted to make 14,000,000 gallons, he will make something else, but in Louisiana it is a race with the elements. You have the freeze hazard over your neck all the time. I do not see how we can discuss anything unless you can tell us what the basis is, what Louisiana will get. We cannot jump from one thing to another.

Mr. Marshall: Louisiana will get to produce all that is covered by firm orders or commitments.

Mr. Murphy: Did you not tell them under TFO 7 they could choose the best 3 out of 5 years?



Mr. Marshall: This order does not say you can make so much but says you can make up to that if you have orders and commitments.

Mr. Murphy: Will you tell us that--make the best 3 out of 5?

Mr. Marshall: Without orders or commitments, you mean?

Mr. Murphy: Give those fellows orders to buy. You cannot do one without the other.

Mr. Chadwick: If the refiners can make 14,000,000 how much can we make?

Mr. Marshall: You can make any amount you get orders or commitments for the same as the refiners. I understand the quotas will be 35,000,000, refiners might make 14,000,000.

Mr. Hathorn: WFO 7 limits the total for refiners and the rest will be produced by other than refiners.

Mr. Marshall: Cannot we get an approximate figure for that?

Mr. Hathorn: It is virtually the difference between 34,000,000 and 14,000,000.

Mr. Marshall: The figures are approximately 20,000,000 gallons as I understand them.

Mr. Murphy: What are the chances of those being included that belong by law in these quota figures?

Mr. Hathorn: Chadwick brought out the fact of reporting. When they did not report their 1941 quota, by the same token they would be excluded from the production figures.

Mr. Zimmerman: It seems to me if you raise this 110 percent figure, it will give producers the commitments. We have been shut down for months because we have not got enough quota. I went to Washington and tried to clear it up, and every blender is in the same boat. If you raise the 110 percent you will have plenty quota.

Mr. Marshall: I do not understand your point--you mean take off the order?

Mr. Zimmerman: I did not say take off the order, but give us more quota under the 1941 base.

Mr. Saar: He means raise the percentage.

Mr. Marshall: As I read these figures, the amount Louisiana can produce is approximately 20,000,000 gallons.

Mr. Chadwick: Including Georgia and Florida. Do I understand that the people in this industry are assured a production of 20,000,000 gallons of molasses?

Mr. Marshall: I would not give you any assurances of that until I inspect these figures better.

Mr. Chadwick: We are talking about theory where our life blood is at stake.

Mr. Marshall: We are talking about figures, not theory.

Mr. Murphy: You are talking about figures derived from theory.

Mr. Martin: I was at a meeting with Mac Hardy where it was said if the total quota according to this is 34,000,000 gallons and admitting people violated the order by not reporting, and assuming we had a base period quota for Georgia, and other producers or S. W. Louisiana not directly involved, and starting off with 34,000,000 gallons, deduct 3,000,000 to take care of the quota holders of Georgia packers and Louisiana State sirup leaves 31,000,000. You gentlemen say 1,500,000 gallons import. Your imports are limited to that. Deduct that and it gives 29,500,000. Refiners deducted (14,000,000) gives you 15,500,000. Then you must take from that approximately 6,000,000 according to your own published figures, to represent edible molasses which is normally used for blackstrap. That leaves 9,500,000 gallon for Louisiana in theory. Nine and one half million is much closer than 20,000,000.

Mr. Chadwick: I really feel in fairness to the people who will have to use these products that we should adjourn until next time when you can give us something definite, not say the people in Louisiana will get in theory this or in theory that, and will either be cut from 20,000,000 to 9,000,000 or  $1\frac{1}{2}$  million. I do not believe you gentlemen understand how serious this is when you say "In theory you should do this or that." Every business man in this room knows you cannot do business on theory. You have to have facts.

Mr. Zimmerman: How many gallons went into alcohol that are not included?

Mr. Elveve: Alcohol is not included.

Mr. Zimmerman: I wonder how much quota would be included if molasses that went into juices was included.

Mr. Elveve: None of the domestic production goes into the production of alcohol except through the black market and we are policing that pretty much.

Mr. Hathorn: I have used blackstrap figures for food purposes and the actual figures, not percentage, as reported by the food manufacturers clearly is very much under the six million figure. The base period figure was well under 6 million. As I recollect it was about 2 million.

Mr. Martin: May I ask what they are for the calendar year 1943?

Mr. Hathorn: I gave you those figures, Mr. Martin, I believe.

Mr. Chadwick: Mr. Marshall, you can readily see the blackstrap molasses figure basis of 6,000,000, we have a figure ranging from what Mr. Martin reproduced and Mr. MacHardy gave us of 20,000,000. If 6,000,000 turn out to be 15,000,000,--in other words we frankly do not know what we are talking about.

Mr. Marshall: Let me say one purpose of the committee is to help us get figures we can agree on.

Mr. Elvove (in answer to a question) Edible molasses as defined in the order includes sirup. Can we proceed, aside from the question of whether 110 percent or 150 percent should be used, or whether (b) at the top of page 3 should be included. Can we handle the rest of it?

Mr. Chadwick: No. It is too vital to all of us, those men who will have molasses to sell and we who will have to produce it, I would say the answer is much too much involved. We are not prepared to say the extent to which this industry will be included. Our position is we are just wasting time going ahead.

Mr. Murphy: I move we eliminate (b) on page 3 altogether.

Mr. Elvove: Let's go to the bottom of page 2.

Mr. Martin: 2,950,000 multiplied by 2 is pretty close to 6 million gallons for 1943.

Mr. Hathorn: That 6,000,000 use is roughly a correct figure. However, use for 1943 represents specific authorizations and not necessarily quota. I recall specific authorizations for use of blackstrap for food purposes were rather substantial.

Mr. Murphy: Will you be kind enough to ask each member of your advisory committee whether or not he thinks 110 percent is sufficient?

Mr. Marshall: I will be glad to. I will be very glad to poll them.

Question: Should we not discuss that in connection with the base period?

Mr. Elvove: Have we discussed quarterly quota. That is virtually the same as quarterly use during the base period -- July 1/40 to June 30/41.

Mr. Murphy: I suggest that be amended to July 1/45 to June 30/46. Let's get modern. I am in favor of getting out of the dark ages.

Mr. Chadwick: Why in the name of justice in 1946 do you tie us back to 1941?

Mr. Murphy: It might as well be back to 1880.

Mr. Chadwick: You might as well discard a new automobile and get an older model.

Mr. Elvove: For the simple reason that the production last year did get out of bounds and this order will bring it back into reason.

Mr. Chadwick: But you did get 69 percent more sugar out of Louisiana. You don't want to go back to 1940 for sugar, do you?

Mr. Elvove: If we had gotten more sugar and less molasses, we would have had more than 69 percent.

Mr. Murphy: The cattle would have got more, the people would not.

Mr. Caffery: What is the production of molasses, about?



Mr. Murphy: Total production is about: Edible sirup, 8,832,000 gallons and edible molasses 23,102,118.

Mr. Martin: Would it be possible for the members of this committee to have that figure I asked for earlier. What I would like very much to see is a breakdown of the year for the base period and then what that use was for the succeeding years 1943-44 and 1944-45 and the first six months of 1946. There was a tabulation made at one time because there was a press release. I was trying to find it.

Mr. Hathorn: We will check them.

Mr. Martin: Some companies got more quota. Some companies did not. We could leave the base period the same. We got something additional last year.

Mr. Murphy: Make it a more modern year.

Mr. Martin: But some got more quotas last year.

Mr. Hathorn: Specific authorizations were granted. Also, a company had built a plant beginning in 1939 and only had 6 months of production during the base period which would have given the company a quota based on only 6 months so there was an addition to take care of the last 6 months. Actually, 33,000,000 went out to holders of quotas and 15,000,000 into specific authorizations. A total of 48,000,000 was distributed. About 22,000,000 of the 48,000,000 roughly, was made up of refiner's sirup which was their production last year, presuming they sold all they made.

Mr. Murphy: You left out those 12 million 6.

Mr. Hathorn: That 12,600,000?

Mr. Murphy: Everglades.

Mr. Hathorn: This all excludes the Everglades molasses, It would not affect your production figures. We are trying to get at Louisiana's share last year--what they may expect next year. Forty-eight less 22 is 26. That would give you 26,000,000 for Louisiana, Georgia, Florida, and imports. Louisiana's production was 23,000,000.

Mr. Chadwick: There was another squeeze, a very distinct squeeze. They made sirup in other than the sugar house.

Mr. Hathorn: Including, Kavanaugh and others who would have marketed in 1946, it is in the total distribution, is it not?

Mr. Chadwick: You would have to consider a later figure than the 23,000,000. It comes back to what we have said repeatedly. We are sitting around here talking about the existence of an important segment of the industry on theory. We do not have any actual figures to work on.

Mr. Hathorn: Do you have molasses stocks left?

Mr. Chadwick: Somewhere between 9,000,000 and 20,000,000, we will produce.

Mr. Hathorn: Last year you had a total yield of 48,000,000 gallons from all sources. Next year we propose to use, including the authorizations, somewhere around 37,000,000 gallons instead of 48,000,000. Any new people coming in with established quotas will merely tend to increase the 37,000,000 figure rather than decrease it.

Mr. Murphy: I have higher than 48,000,000. I have (murphy read figure.)

Mr. Hathorn: You are mistaken on 18,000,000 gallons of cane sirup. I am talking about what was reported to us and what was distributed to these quota holders.

Mr. Murphy: You included figures to make your figures come out right.

Mr. Marshall: Mr. Murphy, insofar as figures that were left out this year, they were left out of the base, so it does not make any difference. They do not add or detract in any way. If they were put in this year, they were put in the base year. These figures we put in here include Louisiana, Georgia, Florida and everyone else--those reporting only. It is to be presumed that companies not reporting and not establishing quotas, do the packing themselves and are not in the quota figure and not in the marketing figure. If they were in the quota, it would tend to raise your production figure also.

Mr. Martin: May I ask again for a list of the figures. All this argument would be settled if we could have the figures.

Mr. Marshall: I agree with you that we should have the figures. We are trying to get the figures. We could argue all night about figures. I agree we should have them if they are available. We will give them to you if we can get them together. You have made several good suggestions on that and everything else. We may have to meet with you further. To get through today, let's go through these points one by one or we will have to break up and will not be anywhere near through the order if we do not proceed.

Mr. Elvove: If any base period other than this base period should result in a general expansion of allocations, the Reconversion Act comes in. The Reconversion Act would require that we permit new blenders, not just veterans, but those of any size, not only small ones to come in to the business (the counsel tells me those of any size), so any benefit from shifting the base period could be offset by chaotic conditions of distribution. We might not get sugar, but we would get plenty of molasses and competition for it.

Mr. Chadwick: Is that not pretty much the history of the United States?

Mr. Elvove: That is right, but getting back to the prime reason for this order, the control and distribution of edible molasses in order to augment the supply of raw sugar.

Mr. Zimmerman: Change the percentage, not the base period, or if you do change the base period, give us the higher of the two.

Mr. Elvove: Any base period or any best period which results in expansion, brings the industry under the Reconversion Act. Either one of them, according to Mr. Holstein, results in the provisions of that Act applying to this industry, which means we would not get the control we desire with reference to the supply of sugar.



Mr. Martin: Expansion from what level?

Mr. Holstein: The presently existing level.

Mr. Martin: The existing level is this year.

Mr. Holstein: If the general quota of the total industry is increased. It does not matter how you do it. If increased, you must allow in the quota for every new-comer regardless of whether he was in business during the base period or not. It does not make any difference if base period is 1941 or 1880. Thirty-four million gallons comprise the total of the quota. If that particular quota is increased in any way by a general percent increase, then it will result in what we just talked about.

Mr. Elve: If increased. That would not be true if someone who is entitled to a quota and has not reported it now reports it.

Mr. Holstein: That is right. I mean if we try to expand it by increasing the base period percentage, you throw it open to all newcomers.

Mr. Martin: That was done constantly since the time it was taken over.

Mr. Holstein: We are talking about this particular act which Congress passed in August 1944.

Mr. Martin: You say there will probably be more specific authorizations. If true, how can you have control?  
not

Mr. Marshall: They do apply to the Reconversion Act because they are not general increases. Insofar as additions over the base period are concerned, you give to new people when you give general quota increases to old users.

Mr. Martin: Not all to new people. We would get some of it.

Mr. Marshall: The order does not say we must give it all to new people. We can give it to all.

Mr. Martin: What is the name of that act?

Mr. Holstein: The War Mobilization and Reconversion Act.

Mr. Marshall: Before leaving the base period, have other members of the committee any comments to make about the increase by reason of increasing the quota or changing the base period?

Mr. Chadwick: Mr. Murphy suggested, and I concur, that the base period should be the most recent year. WFO 51 was written in 1942.

Mr. Marshall: Any other suggestions? If not, we will go ahead to the next.

Mr. Murphy: How about asking the advice of the gentlemen who are blenders?



Mr. Zimmerman: I think we should hold the same base period. Under the old regulations all purchases were made on that, but I certainly think the percentage should be increased. I do not know about this War Act, but if all these Louisiana boys and others produced more of this blackstrap we cannot get commitments unless you increase it because we are through--through before we begin, and so are all other blenders. If it is a question of getting cane out of the field, why not raise the percentage on the same base period. I do not see how any law can affect the law of supply and demand. The same as the production of cherries. Some are broken, but they determine the price of the whole.

Mr. Elvove: You understand, of course, except for the type of mills Mr. Murphy and Mr. Chadwick are talking about not especially equipped to make blackstrap, they are not restricted. They can make all they like.

Mr. Zimmerman: I would suggest increasing the percentage but leaving the base period the same.

Mr. Caffery: Has not the Secretary of Agriculture the power to change it?

Mr. Marshall: If I understand your question, the Secretary of Agriculture or the Administrator of Production and Marketing Administration has power to change the percentage. It does not change the fact mentioned by Mr. Holstein.

Mr. Holstein: It is not a question of power, but what happens if he does it.

Mr. Zimmerman: You would get more sugar. That is all you want. By increasing the percentage.

Mr. Holstein: It may be entirely dissipated. You would have more people to share in what you are distributing. Suppose you want to increase 6,000,000 additional and suppose you would have 100 applicants. It might not be enough to go around to them. We might even have to decrease the amount now under your quota.

Mr. Zimmerman: Is there no provision for a nominal increase? When you let those boys in, would it let the bars down to anyone?

Mr. Holstein: When you let a veteran in, there is no general action, but when by general action there is an increase of the percentage from 110 percent to 120 percent, there is a general increase across the board. When there is a general increase, in this commodity in this case, you must make provision for any newcomer. That is the law.

Mr. Marshall: I think it is a good thing when restricting an industry by allocation order to let in new people, when you expand it. I think it is only right to let anybody else who wants to go in business, go in it. We are merely pointing out to you what would be the result.

Mr. Zimmerman: I still think it would be a good thing to go into.

Mr. Chadwick: Do you not think, without changing either the base period or changing the percentage, by taking WFO 7 you could accomplish all you want to accomplish? Certainly this Government does not want to lose any sugarcane and does not want to penalize the people who planted in good faith. Could not the whole thing be simplified by administering WFO 51 and taking care of those people and of that production of those people who are trying to raise it for them. You are punishing some of us who do not deserve it.

Mr. Elvove: The present order has no production control. Frankly, what happens is this: Edible molasses is made and in the tanks. There is no restriction on production--I can make it; you can make it. Despite the distribution control in WFO 51, in the spring we get frantic calls about the molasses spoiling in the tanks. Just as the Department of Agriculture does not want to see cane standing in the field, it does not want 10,000 tank cars of molasses to ferment. We cannot have a repetition of that. We must have some assurance of control. There is no such control where the molasses distribution is limited to the highest year of production record.

Mr. Sullivan: What about a freeze?

Mr. Elvove: If there was a freeze, additional sirup or molasses production would be authorized aside from this. You know, Mr. Sullivan, there is lots of molasses made without any particular attention being paid to the distribution pattern of WFO 51. The idea was this year to produce it and to hit us in Washington for authorizations to pack it.

Mr. Chadwick: I hate to keep saying the same thing over and over again, but when you have cured the price of raw sugar which I think you have definitely in mind--the industry has tried its darndest to get an adjustment last year--I suggest when that is done, when we know where we stand on sugar, the thing we are discussing is so thoroughly predicated on accomplishing what Mr. Marshall and his associates wish to accomplish, we will know what to do on molasses. Without that, unless you want regimentation for regimentation's sake, we are certainly talking about a small thing.

Mr. Marshall: Regardless of how we come out with these sugar people, there will be something done on the relationship between sugar prices and edible molasses profits. That is part of our work in Louisiana. Something will be done about the relationship. I hope it will take care of the problem.

Mr. Chadwick. I take that to mean the return on syrup and direct consumption sugar will be lower.

Mr. Marshall: No. I am willing to assure you right now if it will help to solve the problem, that you are going to get considerably more for your raw sugar this fall than you would out of the present price. There is bound to be an increase of raw sugar price before the Louisiana crop.

Mr. Murphy: You mean the processor payment?

Mr. Marshall: I mean in the raw sugar ceiling price.

Mr. Murphy: That is only 13 percent. It does not amount to much.



Mr. Marshall: It depends on what it will be. If satisfactory to sugar producers it will take care of this edible molasses problem. I was trying to find out what it took to equalize that situation.

Mr. Chadwick: I think it is the difference between what you allow us for raw sugar and the greater returns on molasses.

Mr. Hathorn: We have these new demands on edible sirup and molasses that are not normal, but are very strong now--pressure to back up through blenders and distributors to the producer which might offset the raw sugar price increase. I am thinking about the fact that brewers, for instance, are using large quantities of sirup and molasses for the first time because they are cut down on grain. Also, soft drink manufacturers are coming in with tremendous demands that amount to several millions of gallons that were not demands on the base period supply. They are not normal users but the demands of these fellows back up on the producers. The pressure is there and the present order cannot control production, so we lose the sugar.

Mr. Elvove: Firm Orders and Commitments, we have yet to discuss fully. That is an entirely new feature and is causing the most comment this afternoon. The provision is not for regimentation, but for the desired results that we spoke of earlier. The usual procedure, as we understand it, is -- Mr. Jones, the blender goes to Mr. Smith, the producer and says "I want a million gallons of your molasses, the same as I got last year." This is done throughout the summer prior to grinding operations. Very few people apparently make edible molasses or sirup without having something in the way of commitments from the man who blends it and packs it. This merely formalizes present practice for the purpose of the desired production control.

Mr. Chadwick: So far as that provision has the effect whereby, even in the hands of our friends, power is left to say who shall live and who shall perish, we shall forever object.

Mr. Marshall: I understand the thing concerning you, Mr. Chadwick, is that it gives undue control to the buyer.

Mr. Chadwick: Yes.

Mr. Marshall: I think that is a legitimate comment.

Mr. Hathorn: Does he not have that now?

Mr. Chadwick: No he does not now. He does not have a certificate. Under this he would have something I must have before I can grind.

Mr. Hathorn: Under normal conditions you would not gamble on a large molasses production without knowing your buyers.

Mr. Chadwick: You go further than this. Before I can turn a wheel I must have a certificate from him when it is delivered. That certificate would become most valuable property.



Mr. Saar: I think the average buyer would make the proviso he must have a sample of the product. That is the way I buy.

Mr. Zimmerman: He must have a sample. He cannot do business any other way.

Mr. Marshall: Suppose we try to work out a type of production restrictions with some type of proviso in it to take care of the conditions where cane that cannot be used for sugar would not be lost. There is no argument among any of us that we do not want any cane to stand in the field.

Mr. Murphy: So far as I am concerned, I would not object to firm orders if you cut out (b).

Mr. Holstein: That is the section that has it. Cut that out and you do not have firm orders and commitments.

Mr. Murphy: So far we have been able to make the stuff and show him a sample. Under this I could not make a teaspoonful without a firm order.

Mr. Chadwick: That would not hold up before any fair minded man on God's green earth. The man who could produce the stuff only by the grace of a certificate to buy, could sell it.

Mr. Marshall: Let's have some other suggestions. Assuming we have to have production control, let's have some other suggestions--the thing Mr. Murphy spoke of.

Mr. Chadwick: I understood Mr. MacHardy to say there would be no production control.

Mr. Elvove: I think we can say at one time we did hope to achieve the desired end by simply tightening the distribution and use, but our recent survey, plus consultation with people on this committee, led us to the conclusion it could not be done satisfactorily by distribution control. There were still those tanks that might ferment. This might be unfair to you in creating a buyer's market. We would like to know what control would be fair to the buyer and you.

Mr. Kavanaugh: I am representing a small producer of sirup. I am very much in favor of control. Without it I know we will not exist when the tide breaks unless we have some type of control. But there is no use writing an order unless you enforce it. I believe it would work out if you would delete firm orders and commitments the producer must have and enforce the order. The man making molasses who cannot sell his molasses--let him hold it; then I believe you achieve your purpose. I do not believe it is impossible and would recommend that. I do not recommend control on production to the extent you have to have an order accepted at the time. You think we should have control. All these sirup men depend on you men who control them.

Mr. Zimmerman: Can you not relate pounds of blackstrap with pounds of sugar?

Mr. Elvove: We thought of that. It is a very involved procedure. It is much simpler to control the production. We have the situation Mr. Kavanaugh described. Cane cannot and will not go to the sugar house. You would have the situation Mr. Murphy and Mr. Chadwick described of factories not equipped to make

it. Commercial sirup houses come in competition with raw sugar mills for sirup. That type of control is very involved. We are trying to think of some simpler control for as the industry you have here that admittedly has some serious handicaps.

Mr. Martin: May I ask how you would enforce this?

Mr. Elvove: I think you could say simply Mr. Jones has been making edible molasses and does not have firm orders or commitments. He cannot make it. If he continues to make it an injunction will be served on him.

Mr. Martin: When will you find out?

Mr. Elvove: Louisiana is a comparatively small area. I think we could find out during the grinding season.

Mr. Martin: Would it be on a daily basis?

Mr. Elvove: I think we must have inspections. We will do it as often as necessary. It may not be daily.

Mr. Martin: Mr. Kavanaugh is a producer-packer and would feel the competition of these mills. The producer-packer is limited to 110 percent of 1940-41. 1946 is about 65 percent greater. There are these producer-packers normally having an area from which they draw cane, it would be normally 106 or 107 percent instead of 110 percent. When he reaches 110 percent he should stop or shut down otherwise he is allowed to have all he can pack. We would have to compete and if Mr. Kavanaugh and the other processors were limited to 110 percent we would find ourselves in a very unfortunate position.

Mr. Chadwick: It strikes me as being very unfair and not enforceable. You could not get enough police to enforce it.

Mr. Marshall: I do not think it would be necessary to police it to that extent if the order is to be enforced and it is going to be.

Mr. Murphy: You cannot make molasses under a strict interpretation of this order. I cannot make any molasses until I have a firm order or commitment.

Mr. Marshall: I think we agree it meets with some serious complications. I am trying to see some equitable way to work out the problem.

Mr. Murphy: You work it out on firm order and commitments you control it to the extent where it cannot be enforced. We cannot deliver edible molasses unless we have firm commitments. We can only get firm commitments from you.

Mr. Marshall: We agree we cannot let the cane spoil in the field, but people are coming to us and saying "The molasses is starting to bubble. If we do not get a quota it is going to spoil."

Mr. Murphy: If you are put on record that whether it is going to bubble or not you are not going to sell it, you would stop producing.



Mr. Marshall: Can we live with that--people coming to us and saying molasses is spoiling?

Mr. Kavanaugh: If you enforce the order without those two things, you achieve your purpose.

Mr. Murphy: If you satisfy the raw people you will not have a problem.

Mr. Chadwick: I know your time is drawing short. I have to drive a long ways tonight and all these gentlemen probably have something else they want to do today. We have been through this war and this is the second producing season since the war. We have not had an increase in the price of raw sugar. We are going to get it. I think this will relieve the situation. We have been in so many business conferences like this where there seems to be a reasonable hope, we did a very logical thing. I would like to know how the Advisory Committee feels on this: Let's let the present order stand for another year. Let's see if the increase in the price of raw sugar does not relieve this. I think you will find you will not need regimentation. We will have relief and in three or four years you will have enough sugar. I am just proposing this for only one year, and after all you can charge it off to what Louisiana has done for you to date. We are the only ones who kept up our production. The best people reduced theirs 600,000 tons. They found more money in something else. Maybe Louisiana could not find more money in something else. There is only 24,000 tons of sugar involved in it. Will you be good enough to get an expression from these people about that suggestion? An increase in the price of raw sugar will do a lot for us. I am suggesting this just for one more year.

Mr. Marshall: From our standpoint this is the most critical period we will have in sugar. We expect that considerably more sugar will be available next year than this year. That will permit improvement in the rationing and, if great enough, it may remove the necessity for extra sweetenings. We may not need a rigid control of edible molasses next year. The situation certainly should be considerably eased in view of the more favorable sugar price relationship. As the matter stands now, we do not have the power to operate after March 1947 and we have no assurance at all that the period will be extended. It is my own personal opinion that it is quite doubtful that it will be extended to apply to things like this, if the sugar situation improves materially. Maybe building material and things like that will be so scarce it will have to be applied to them. We are hoping that we will not come out of this with sugar stock shortages.

Mr. Chadwick: I firmly believe with this raw sugar price adjusted--it is my sincere thought that the majority of raw sugar houses will be so relieved to get into this that they will not want to get into edible molasses. We are six weeks from grinding. If I do not get in my sugar house I will not be able to start it in six weeks. We have all we can possibly do. We should have the encouragement, the sympathy and aid of the Department. We are asking you only to defer this thing for one year. We should forget this thing. Then I do not believe you will need it. Will you be good enough to find out how these men feel?

Mr. Marshall: I will be glad to hear from all of them. Mr. Caffery, will you give us your thoughts?

Mr. Caffery: I will be glad to. I agree with that.



Mr. Harmeier: We have been in business 20 years. We always made firm commitments. This is to qualify that. That is what we have done this year, early in the year. I believe that continuation of WFO 51 as it stands provided we can come to you with honest statements of what our intentions are for production and get the same consideration from your Department as was got last year, we will be perfectly satisfied to go under WFO 51 as written now if it will accomplish the ends you desire. If people come in for additional allotments--we did not ask for that; we got what we asked for--if we feel due to certain things we are doing we are entitled to additional allotment for the coming year (October 1st) we will present a petition to you of our requirements, we actually feel the operation of the order as it exists is perfectly satisfactory.

Mr. Chadwick: We are wasting time going around the table.

Mr. Saar: I am in favor of that. Any specific authorizations if granted should be published in the Federal Register.

Mr. Martin: I understand you gentlemen are in favor of WFO 51?

Mr. Saar: If we can present our hardship cases.

Mr. Elvove: What would be hardship--more molasses to make gingerbread?

Mr. Saar: All molasses does not go as a substitute for sugar. There are other uses for more molasses.

Mr. Martin: I do not know if I would necessarily go along with that. That is pretty strong. What about new uses? Accepting new uses, what we actually need, if they were not considered I would go along with that entirely. I might also suggest high-test. Your Department should establish specific authorizations based on high-test--why not on the same formula?

Mr. Elvove: In allowing that we said we were setting no precedent. It was done for the purpose of adding to the supply of sweetening, not detracting from the supply of sugar.

Mr. Martin: You could have that higher percent of base quotas. It is my thought if we distributor-packers cut back our supply to the level of 110 percent of 1940-41, I fear we would have a very unsatisfactory condition. It is unrealistic and besides that, I doubt very much that 110 percent of the base period will supply enough quota for the producer of Louisiana edible molasses to live on. Still going back to what we have said, we have no figures. As I understand your legal counsel, you cannot change the base period and cannot change the percentage.

Mr. Holstein: You cannot make any general increase in allotments.

Mr. Martin: Why talk then. We are making a mistake to keep talking about it.

Mr. Holstein: That is not a complete statement. You cannot take any steps that would permit a general expansion of the distribution picture without admitting, as share holders in that expanded production, all newcomers.

Mr. Martin: I still say your Department did just that last year, by specific authorizations.

Mr. Holstein: There is no general increase across the board.

Mr. Martin: I see. You can increase it by specific authorizations.

Mr. Marshall: All the order says is that if you do raise it you must let in newcomers.

Mr. Mangels: I am in favor of raising the 110 percent.

Mr. Roddenbery: My only comment is that we should raise the percentage rather than change the base year. I do not know about what the attorney has now talked about. I am from a territory that hardly applies to the past. I think it is incumbent on me not to try to decide these problems. Their problems are not ours. Ours are not theirs. I am from Georgia.

Mr. Deacon: I am in favor of going along with Mr. Saar, if you allow the hardship cases. I think the whole baking industry will agree.

Mr. Zimmerman: I agree. I think we can go along with the old order if we get a larger percentage, or the new order if you cut out B and raise the percentage.

Mr. Kavanaugh: I am in favor of the new order leaving out B--firm orders and commitments.

Mr. Sullivan: I think it should be increased to regular users of molasses if they can consistently show they are using more.

Mr. Chadwick: We should go along as we are now. Leave the increased price of raw sugar to solve the problem.

Mr. Murphy: I believe we should go along on the old order. Some of that production was frozen cane. We had three and a half million gallons of frozen cane. Our real production was only 19,000,000 gallons. We should go along on the old order. I believe these people should be legitimate users, not imposters. If a man diverts no sugar, and the nature of his business was such as he could not make sugar, you should give him a specific authorization.

Mr. Marshall: I doubt that we can go along on the order as it is, but I think you have aided us. We need to tighten up the administrative machinery and since you have given us your comments, we need not go over the amendment provision by provision. I think we want to tighten up the administration of it and in doing that we want to put part of the burden on the producer, and distributors. We have in mind the published list of those who have authorizations and quotas. This makes it certain a man does not sell to anyone who does not have a quota or an authorization.

Mr. Murphy: A man came to me last year to buy molasses. He was not a legitimate molasses man. I told him he would have to show me he had a right to buy molasses. He went to Washington and got the right.

Mr. Marshall: That is part of our business to see proofs.

Mr. Chadwick: I think that is right.



Mr. Marshall: We provide a penalty on a producer if he does not do that. Any other comments?

Mr. Murphy: We should vote to throw it out.

Mr. Marshall: You did not say throw it out. You said keep it as it is.

Mr. Chadwick: I think by the 15th of each month we send in the original certificates received during the month before. It requires a little bookkeeping. Some are doing that. Would it not take care of the situation, if you require certificates in Washington?

Mr. Murphy: We do it regularly.

Mr. Marshall: We do not want any certificates honored that should not be.

Mr. Hoynak: I think you should ask for photostatic copy of the authorization plus the certificate. We are not equipped to police that. We take reasonable means to comply with all regulations.

Mr. Saar: Page 4, paragraph (e) should be eliminated.

Mr. Elvove: There is a very good reason for that paragraph. It says that no person can receive and use processed molasses in excess of 110 percent of the 1941 base period, except anyone can take 10,000 gallons. A blender can switch around deliveries to his customers up to 10,000, but when he switches a million or a million and a half to those who never used molasses in the base period, it defeats the purpose of the order, which is to channel it in its essential or normal uses.

Mr. Saar: I do not believe in this you limit uses of blended molasses on quota basis.

Mr. Elvove: That's right, except for specific authorizations, and unless specific authorizations are limited to legitimate users, we defeat the purpose of the order.

Mr. Saar: I do not believe any legitimate blender sold any blended molasses to bottlers to the extent you mention.

Mr. Elvove: Yes, one house did--a very legitimate blender.

Mr. Hoynak: When you deliver to A. & P. Co., all you can deliver is 110 percent for resale during the base period. Take a large chain store--

Mr. Elvove: Would not "unless specifically authorized" take care of it?

Mr. Martin: You are trying to ration out for essential use. Why don't you say here "except packages less than one gallon."

Mr. Elvove: I am perfectly willing. I am talking about bulk deliveries. We are not concerned with your choice of doing business--your choice of customers. What we are talking about is molasses that should go to bakers or housewives, someone who should ordinarily get it.

Mr. Saar: Under this, the newcomer might be entitled to an increase of 200 percent, as against the old timer who would get an increase of only 10 percent. I do not think that is right.

Mr. Elvove: It doesn't say that a blender must give a newcomer 10,000 gallons. We just discovered almost a million gallons of molasses, which might have been packed and sold to housewives or bakers, that went to other than normal uses. This has happened in the last few weeks. Suppose you show us how we are going to do it. In terms of users of more than 10,000 gallons, you would have relatively few coming in for authorizations.

Mr. Martin: Any packaging of less than one gallon--that should be done.

Mr. Deacon: Why not limit distribution to legitimate users?

Mr. Elvove: You are, under this, authorized to take 110 percent. If you are not a legitimate user we will prevent it.

Mr. Marshall: I am due at the other meeting at 6 o'clock. I hope you will continue for awhile without me.

Mr. Martin: Limit the purchaser and distributor.

Mr. Marshall: I want to express appreciation to the group for coming here. I think you have been very helpful and I wish more time was available. We will try to let you have our final decision as to what is to be done--let you know what you need to know--promptly.

Mr. Chadwick: We in turn wish to thank you for your patience.

Mr. Roddenbery: I cannot help solve the problem, but would like to say I think the continuation of WFO 51 is very necessary. If not continued edible molasses would get into a racketing game. I am heartily in favor of continuing the same form of control.

Mr. Murphy: It is understood that anything a Louisiana man said affirmatively, except throwing WFO 51 out of the window, was based on their "doing right by poor Sally." I suggest before you gentlemen do anything we have another meeting.

Mr. Marshall: You mean anyway--before you get the revised order?

Mr. Murphy: Will you consult with us before you issue the revised order?

Mr. Marshall: At least we will consult with your Chairman and find out if another meeting is necessary.

Mr. Martin: I have a question with reference to distributors. Under this proposed order, the distributors are frozen and cannot get one gallon without commitments. That is absolutely impracticable. You simply cannot go out and handle a crop without knowing what your outturn will be. We appreciate the fact if you permit anybody to buy as a distributor without limitation anybody can say "I am a distributor" and buy a million gallons. I think you could overcome that by having a distributor register and if you are unwilling to rely on a distributor even after he has registered, give him some leeway, not limit him to the gallon, so if a plantation runs over, he has to have some leeway.



Mr. Elvove: This may not be the way to achieve the objective. We have had sad experiences with illegitimate operators taking a million gallons by saying "I am a distributor." They are for a minute, but sell it, and then say "I want my quota." They have other people coming to us for quotas to cover it. We want to eliminate that. Now, to operate as a distributor he gets his orders, then buys, and distributes as required. Also, he cannot over-buy and hold it. We cannot give any more authorization to distributors to use <sup>their</sup> excess stock. In a way, by over-buying and holding his stock he has been getting authorizations which otherwise would not have been granted.

Mr. Martin: I agree; but still think you cannot hold him down to the gallon. Let's say I have been a distributor for a certain number of years, what am I authorized to buy?

Mr. Elvove: Paragraph 2 (ii) says no distributor shall accept delivery of edible molasses during any marketing year in excess of the total quantity for which he has firm orders or commitments. It might be that we should set some percentage of firm orders and commitments. What I have in mind is a percentage in excess of the edible molasses for which he has firm orders or commitments. He would have to show 85 percent, say, covered by orders. It gives him 15 percent leeway.

Mr. Saar: We, in other grinding seasons, always sold as a distributor. We cannot get firm orders or commitments until we show a sample. Something else should be worked out.

Mr. Elvove: Why will not the 15 percent permit showing of samples?

Mr. Saar: We buy from several plantations.

Mr. Holstein: Is not 15 percent enough so you can get a sample from each one? There might be 20 samples, but 15 percent should cover the situation.

Mr. Murphy: He has to buy his molasses in three months. A man might not get commitments on some of his stuff until the season was over.

Mr. Elvove: It may be the simplest way to register each distributor and not let him purchase it until he is registered. Any other questions?

Mr. Saar: The blender's certificate--Why must we fill it in, if the quota will be published?

Mr. Elvove: In the case of those companies who do business in a fairly routine and legitimate fashion there is probably less necessity. Unfortunately, everybody does not do business that way. If you suspect a purchaser, it would be helpful for you to know he has a quota of only so many gallons and wants only so many gallons from you. If he buys large quantities late in the season, you would wonder why he gets so large a part of his requirements after most of his quota has expired.

Mr. Hoynak: Could you not get around that by giving quarterly amounts?

Mr. Elvove: We may help you by mimeographing certificates. We would print certificates. We would be glad to do that.

Mr. Martin: Are quotas transferable?

Mr. Elvove: No. One of the requirements of the provisions are that they are not.

Mr. Martin: Can each member of the committee file a statement with you?

Mr. Elvove: Anybody who might want to submit a written statement is quite welcome to do so. We cannot mimeograph these minutes within 10 days.

Mr. Murphy: To whom address it?

Mr. Elvove: To the Director, Sugar Branch, Production and Marketing Administration.

Mr. Martin: I want to repeat, just get those production figures. It is important that we should know what we have to take care of. We have no figures now to show what that will be. The base period of refiner's sirup production is best 3 out of 5; more than the 1941 base period production. Louisiana should have the same privilege. Until we have the figures I do not see how we can do that.

Mr. Elvove: I thought we had those figures. Mr. Hathorn points out it will probably be a tremendous clerical job, to summarize those 6 month periods. However, if it is a simple clerical job, it will be done.

Mr. Martin: I think it is important. There is one base year. Every quarter we report the figures to you.

Mr. Hathorn: I have all that. I understood you meant production and use in the base period. I have usage by quarters and production by quarters since 1943.

Mr. Martin: What was it in the base period?

Mr. Elvove: Your original base period report does not contain a breakdown on First molasses, refiner's sirup, second molasses, and cane sirup. Even if we got the War Production Board's breakdown, it would not have it in terms of production by States. It would have breakdown like the Bureau of Economics has instead of referring to the Louisiana industry.

Mr. Martin: When the quarterly report is filed, it now shows the corresponding use during the base period. We report this every quarter.

Mr. Elvove: We do have them, but the reports are not accurate as to the base period.

Mr. Martin: In one column you show the year, and the other use in base period. You do not have to go to the War Production Board.

Mr. Elvove: Our current reports have that. But in auditing these we find they are not accurate as to base period.

Mr. Martin: That would give you the breakdown, where your 34,000,000 gallons would come from.



Mr. Elvove: You mean, of course, by type of molasses as distributed in the past, but not how it might run in the future.

Mr. Roddenbery: Paragraph (c) (1) "No person shall accept delivery of edible molasses, etc." Does that mean you cannot accept it and distribute out of a 10,000-gallon truck? Out in my territory these fellows drive around to the small producers and pick it up by tank-truck loads --

Mr. Elvove: You mean after it is processed?

Mr. Roddenbery: Some moves from the producer to me. The difference goes to bootleggers and is taken away from housewives by these truckers. You want to register these. He is a distributor. If you could do that job it would save 500,000 to 1,000,000 gallons for the housewives.

Mr. Saar: I think we should have another meeting.

Mr. Elvove: Assuming that we should tighten the order as here, but take into consideration the suggestions made. If I may offer a possible suggestion, let us consider all suggestions made today, go back to Washington and try to incorporate as many of them as we can cover in a new draft and submit it to the committee to find out if this second meeting is necessary. The amendment will be mailed to you for comments prior to the enactment of it. You, as members of the committee, will get a new draft based on these discussions. We will then expect to hear from you as to whether we should have another meeting.

Mr. Holstein: There has been quite a bit of talk about another meeting of the committee. My interruption has here reference to a rule of the Department of Justice. The committee is not supposed to meet except in the presence of the Government chairman when the committee is officially functioning as such. What you say as individuals to one another, is not covered by the rules, but you should not call a meeting of the committee as a committee. That is up to the Government chairman.

Mr. Elvove: If there are no further questions, the meeting is adjourned.

(Meeting adjourned.)







